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11 April 1973

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting attended by:

Mr. Schlesinger, DCI
Mr. Ash, Director, OMB
Mr. Malek, Deputy Director, OMB
Mr. Bridgewater, Associate Director, OMB
Mr. Frey, Chief, International Division, OMB
Mr. Donahue, Assistant Chief, International
Division, OMB
General Walters, DDCI
Mr. Clarke, IC/Comptroller

1. After a general discussion with the DCI concerning AEC's program and progress, Mr. Ash outlined the Office of Management and Budget's plan to work with departments and agencies in creating emphasis on goals and objectives and giving more attention to "result-oriented modes of organization."

2. Mr. Malek advised that the intent of the plan was to integrate the management functions of the Budget Bureau (except for macro government organizational processes) with the budget program and review function under four associate directors. Each director would have overview of both managements and budgets of groups of like agencies, e.g., human resources, economic affairs, natural resources, and international affairs. In the management tasks, new manpower would be provided to buttress the program review mission and "help agencies" establish objectives and operating plans and participate in project-oriented studies. Bridgewater would oversee present OMB focus on the intelligence programs of the Government as well as DOD and State programs.

3. Mr. Ash indicated that he wants to work with the Director in establishing selective goals which could be brought to the attention of the President and which would serve as a base against which to measure progress and report periodically to him. He also emphasized that regular year-round sessions between OMB and DCI staff were desired.

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25X1

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4. The Director, having made certain observations about the need for substantive refocus of intelligence, advised that he was in the process of developing a new planning guidance for the intelligence community. This guidance, he explained, would outline specific objectives and priorities for a changing world and identify those places where a shift in emphasis for intelligence should take place. He advised that he would be Vice Chairman of NSCIC and that he would seek advice on policy needs through NSCIC and the NSC.

5. The Director then cited by way of illustration the military intelligence collectors traditional attitudes toward warning. He observed that far too many assets are being expended on this Pearl Harbor syndrome in a period when the likelihood of open conflict or surprise attack is remote indeed if not improbable. He opined that it is important that these intelligence assets be refocused on the more strategic, longer term concerns of policy makers so that we can assure that the Soviet Union and China are not likely to present us with a technological surprise. He elaborated, saying that he was primarily interested in what the Soviets and Chinese are doing now in their research and development testing programs which may permit them to introduce new systems into their force structure in the next five or ten years. Further, he highlighted the interest of US policy makers in maintaining an acceptable stability or equilibrium in our dealings with the Soviet Union, China, and the third world and, therefore, policy makers being kept apprised of any perturbations which may seriously affect that equilibrium.

6. In this context, the Director observed that the community plan will call for more focus on the economic and political behavior of not only the Soviet Union and China toward the third world but of third world countries in relation to us. He stated that this means the community must exploit collection facilities to acquire nonmilitary information alluding specifically to the use [REDACTED] [REDACTED]

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[REDACTED] Economic intelligence, he observed, must be patterned so as to respond to policy issues as they occur and be supportive to elements of the Government assessing or negotiating trade agreements, monetary exchanges, and the like.

7. The Director also observed that the nature of the targets for the 70's required built-in flexibility in our collection and research assets so as to permit them to be shifted to trouble spots which may be quiescent in today's environment. He reported that the development of this planning guidance for the community should serve as a good starting point with the Office of Management and Budget's new requirement for stated objectives and periodic reporting on accomplishments.

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25X1

8. The Director also observed, and Ash agreed, that the Presidential Directive of November 5, 1971, continued to be his guideline and that certain intermediate objectives are addressed in that instruction. He noted that the emphasis of the OMB's new approach should treat with the community rather than on an intelligence agency-by-agency basis. Ash agreed to this and stated that was the OMB's objective. Ash agreed to provide the Director with a letter to this effect which would amplify the more generalized issuance to all agency heads of the presidential instruction. It was also agreed that an IRAC session would provide a good forum for exploring further the intent of this process and that Bridgewater, Frey, and Donahue would work directly with Lew Allen and the undersigned on next steps.

9. In the course of the conversation, the Director also addressed his plans for the CIA restructuring, reduction in personnel, and clearer orientation of CIA collection objectives. He re-emphasized need for CIA collection to give more attention to [redacted] to integrating functions heretofore separated essentially on the basis of an outmoded "clandestine service" doctrine.

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[redacted]
John M. Clarke

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cc: General Allen

✓ Dr. Martin

Action:

- a. OMB will provide separate letter to DCL
- b. OMB will be in direct touch with General Allen on next steps.

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